

Message Text

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TAGS: EAIR, AS
SUBJECT: AUSTRALIAN DOMESTIC AIR TRANSPORT POLICY REVIEW

REF: CANBERRA 05866

1. SUMMARY: FIRST PART OF AUSTRALIAN DOMESTIC AIR TRANSPORT POLICY REVIEW HAS BEEN RELEASED. REPORT HAS BEEN PORTRAYED BY GOVERNMENT AS PROPOSING CHANGES AIMED AT FOSTERING INCREASED COMPETITION. HOWEVER, FOR MOST TOPICS COVERED, REPORT RECOMMENDS STATUS QUO, MONITORING OF PRESENT SITUATION OR FURTHER DATA GATHERING. ACTUAL CHANGES ARE FEW. DOMESTIC POLICY REVIEW OUTCOME PORTENDS SIMILAR ADHERENCE TO STATUS QUO FOR STILL-UNRELEASED INTERNATIONAL AIR TRANSPORT POLICY REVIEW. END SUMMARY.

2. FIRST PART OF DOMESTIC AIR TRANSPORT POLICY REVIEW WAS RELEASED JULY 21 BY MINISTER FOR TRANSPORT NIXON. THIS PORTION DEALS WITH AUSTRALIA'S TWO AIRLINES AGREEMENT, WHEREBY TAA AND ANSETT ARE SOLE CARRIERS ON DOMESTIC TRUNK
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LINE, ARE REQUIRED TO HAVE IDENTICAL CAPACITY ON EACH ROUTE, AND CONSEQUENTLY UTILIZE IDENTICAL AIRCRAFT ON IDENTICAL TIMETABLE WITH NO SEMBLANCE OF MEANINGFUL COMPETITION.

3. REPORT REAFFIRMS TWO AIRLINE POLICY, ALTHOUGH IT DOES RECOMMEND THAT REGIONAL OPERATORS BE ALLOWED LIMITED ACCESS

TO TRUNK ROUTES WHERE THESE ARE LINKED WITH THEIR REGIONAL NETWORK. REGIONAL OPERATORS WOULD ALSO BE ALLOWED TO TAKE OVER SOME OF REGIONAL ROUTES OF TAA AND ANSETT. REPORT REAFFIRMS PRINCIPLE OF GOVERNMENT CONTROL OF CAPACITY, OR IN OTHER WORDS, CAPACITY LIMITATION.

4. REPORT SIDESTEPS QUESTION OF WHETHER AUSTRALIAN DOMESTIC FARES ARE OUT OF LINE WITH DOMESTIC FARES IN OTHER COUNTRIES, BUT DOES CONCLUDE THAT THERE ARE FEWER DISCOUNT FARES OFFERED. REPORT RECOMMENDS THAT GOVERNMENT SEEK TO ENCOURAGE GREATER AVAILABILITY OF DISCOUNT FARES BY SETTING APPROVED FARE FOR EACH OF FIVE CATEGORIES AND THEN ALLOWING FARE TO BE VARIED UPWARDS OR DOWNWARDS BY 10 PERCENT BY THE AIRLINES. FIVE CLASSES OF FARE ARE: FIRST CLASS, ECONOMY CLASS, BUDGET FARES, APEX FARES, OTHER CONCESSIONAL FARES.

5. REPORT RECOMMENDS THAT GOVERNMENT FORMULA FOR DETERMINATION OF APPROPRIATE FARES BE REVISED TO HAVE GREATER "FLAG-FALL" COMPONENT, RECOGNIZING THAT THERE ARE OPERATING EFFICIENCIES ON LONGER HAULS.

6. REPORT SUGGESTS THAT IF FOUND NECESSARY TO ENCOURAGE GREATER UTILIZATION OF DISCOUNT FARES, A LIMITED AND CAREFULLY MONITORED DEPARTURE FROM PRINCIPLE OF IDENTICAL CAPACITY ON EACH ROUTE MIGHT BE ALLOWED. MOVEMENT AWAY FROM IDENTICAL DEPARTURE TIMES IS ALSO TO BE ENCOURAGED, IN PART THROUGH LIMITED OFFICIAL USE

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GOVERNMENT'S AUTHORITY TO GRANT OR DENY LICENSES FOR AIRCRAFT IMPORTS.

7. ONLY MAJOR DEPARTURE FROM TWO AIRLINE POLICY IS RECOMMENDED IN FREIGHT AREA, WHERE REPORT ADVOCATES ALLOWING OPEN ACCESS. RATES WOULD CONTINUE TO BE SET BY GOVERNMENT, HOWEVER, TO "PREVENT PREDATORY PRICING PRACTICES," THOUGH SAME 10 PERCENT VARIATION AS ALLOWED FOR PASSENGER FARES WOULD BE ALLOWED FOR FREIGHT.

8. THOUGH MUCH HAS BEEN MADE IN AUSTRALIAN PRESS OF POSSIBILITY THAT DOMESTIC CARRIERS TAA AND ANSETT WOULD BE ALLOWED TO FLY OVERSEAS, THE FINE PRINT OF REPORT SHOWS THIS TO BE OTHER THAN A PRO-COMPETITIVE MOVE. QANTAS'S DESIGNATION AS SOLE OPERATOR OF OVERSEAS SERVICES IS RE-CONFIRMED. HENCEFORTH, WHEN QANTAS PROPOSES TO OPERATE AN INTERNATIONAL SECTOR BY CHARTERING IT TO ANOTHER CARRIER, IT MUST FIRST OFFER ROUTE TO AUSTRALIAN DOMESTIC CARRIERS. DOMESTIC CARRIERS MAY ALSO DEVELOP, IN CONJUNCTION WITH QANTAS, PROPOSALS FOR SERVICES BETWEEN AUSTRALIAN AND FOREIGN PORTS WHERE NO DIRECT SERVICES ARE NOW AVAILABLE, BUT THESE MUST BE OPERATED UNDER CHARTER TO QANTAS. REPORT RECOMMENDS THAT

IMPLEMENTATION OF THESE PROPOSALS AWAIT GOVERNMENT'S DECISION
ON INTERNATIONAL AVIATION POLICY REVIEW.

9. WITH RESPECT TO FULL COST RECOVERY OF AIRPORT OPERATING
EXPENSES, REPORT RECOMMENDS THAT NEXUS BETWEEN INTERNATIONAL
AND DOMESTIC OPERATORS IN REGARD TO INCREASED NAVIGATION
CHARGES BE BROKEN. EXTENT OF COST RECOVERY DIFFERS
SIGNIFICANTLY, REPORT FOUND, BETWEEN INTERNATIONAL AND
DOMESTIC SECTORS, AND SAME LEVEL OF ANNUAL INCREASES IN AIR
NAVIGATION CHARGES THEREFORE MAY NOT BE APPROPRIATE. IF
IMPLEMENTED, THIS PROPOSAL WILL ELIMINATE A PROBLEM OF
CONSIDERABLE CONCERN TO U.S.

10. FINAL RECOMMENDATION OF SIGNIFICANCE WAS THAT DOMESTIC
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AIRLINES NOT BE ALLOWED TO PASS ON INCREASED COSTS RESULTING
FROM WAGE OR BENEFIT INCREASES NEGOTIATED OUTSIDE GOVERNMENT
INDUSTRIAL POLICY AND CONCILIATION AND ARBITRATION COMMISSION'S
GUIDELINES.
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